
Annual Report 2011 - 2012

Annual Report

2011-2012

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Notice

Notice is hereby given that the Twenty Third Annual General Meeting of Zenotech Laboratories Limited will be held on Friday, December 28, 2012 at 10.30 A.M. at Auditorium of Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Profit and Loss account for the year ended March 31, 2012 and the Balance Sheet as at that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint Dr. Jayaram Chigurupati, who retires by rotation and, being eligible, offers himself for reappointment as Director.
3. To appoint Dr. Sudershan K. Arora, who retires by rotation and, being eligible, offers himself for reappointment as Director.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. M/s. B S R & Associates (Firm Regn. No. 116231W), the retiring auditors are eligible for reappointment.

Special Business:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED that in supersession of the Resolution passed at the Extra-ordinary General Meeting of the Company held on July 21, 2011 for appointment of Mr. B.K.Raizada as Managing Director of the Company and pursuant to the provisions of Sections 269 and other applicable provisions if any, of the Companies Act, 1956 ("Act") read with Schedule XIII to the said Act and the Memorandum and Articles of Association of the Company, the Company hereby accords its approval for the re-appointment of Mr. B. K. Raizada as Managing Director of the Company for a period of two years effective October 1, 2012."

"RESOLVED further that subject to superintendence, control and direction of the Board, Mr. B.K.Raizada shall perform such duties and functions as would be commensurate with his position as Managing Director of the Company and as may be delegated to him by the Board from time to time."

"RESOLVED further that the Company or Mr. Raizada shall be entitled to terminate this appointment at any time by giving three months notice in writing or such shorter notice as may be mutually agreed between him and the Board of Directors."

"RESOLVED further that the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or expedient to give effect to this Resolution."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that subject to the approval of the shareholders for re-appointment of Mr. B.K.Raizada as Managing Director as elaborated in Item no. 5 hereinabove, and pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions if any, of the Companies Act, 1956 ("Act") read with Part II and Part III of Schedule XIII to the said Act, the Memorandum and Articles of Association of the Company and subject to the approval of the Central Government, the Company hereby accords its approval for the payment of remuneration to Mr. B.K.Raizada as Managing Director of the Company for a period of two years effective October 1, 2012, on the following terms and conditions:

- I. Salary: Not exceeding Rs. 45,00,000/- per annum with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) to determine the salary and grant increases from time to time within the aforesaid limit.
- II. Allowances & Perquisites: He will be entitled to perquisites, allowances, benefits, facilities and amenities (collectively "allowances & perquisites") such as medical reimbursement, leave travel reimbursement/allowance, membership fees for clubs, group hospitalization insurance for self and spouse, group term insurance, travel insurance and any other "allowances & perquisites" as per the policy/rules of the Company in force and/or as may be approved by the Board from time to time, provided that the aggregate value of such allowances and perquisites shall not exceed Rs. 3,00,000/- per annum. Allowances & Perquisites will be valued as per the Income-tax rules, wherever applicable and at actual cost to the Company in other cases.

III. In addition to the above, he will also be entitled to the following reimbursement of expenses :

- a. Running and maintenance of car on actual basis
- b. Telephone(s) and
- c. Entertainment expenditure actually incurred for the business of the Company.

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to fix actual remuneration of Mr. B.K.Raizada, and revise it from time to time within the aforesaid ceilings."

"RESOLVED further that the Board of Directors be and is hereby authorised to take such steps as the Board may consider necessary or expedient to give effect to this Resolution."

7. To consider and if thought fit, pass with or without modifications(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended as under:

1. In the beginning of the Articles of Association, under the heading 'Constitution', the word "not" appearing in the second line after the word "shall" be deleted.
2. For the existing Clause 3, following Clause 3 be substituted:
"The Authorised Share Capital of the Company is Rs.100,00,00,000 (Rupees One Hundred Crores Only) divided into 10,00,00,000 (Ten Crore Only) equity shares of Rs.10/- each."
3. The following new Clause 6A be inserted after existing Clause 6:
6A: Buyback of shares
Subject to the provisions of the Act, the Company shall have the power to purchase from time to time , its own shares and any securities that may have right to subscribe for shares of the Company and make payment in respect of such buyback including the power to re-sell and/or re-issue of such shares and securities."
4. Clause 7: In line 2 the words "Article 7" be substituted with "under these Articles".
5. Clause 10 be deleted.
6. The heading "Shares and Debenture Certificates" appearing between Clause 14 and Clause 15 be deleted.
7. Clause 24: In line 2, the words "all money" be substituted with "call money".
8. Clause 26: In last line the word "my" be deleted.
9. Clause 27: In 4th line, word "give" be substituted with "given".
10. Clause 30: After end of second para, the heading "Clause 30A: Forfeiture and Lien" be inserted.
11. Clause 30 (f): In the heading, the word "or" appearing after the word "forfeiture" be substituted with the word "of".
12. Clause 37: The phrase "for a period of 6 years or more" be substituted with "as prescribed under the provisions of Companies Act, 1956".
13. Clause 40B: The heading "Devaluation of Rights" be deleted.
14. Clauses 42 to 48 be deleted.
15. Clause 95: The figures "Rs. 250/-" be substituted with the following phrase: "such sum as may be determined by the Board from time to time subject to the limits prescribed under the Act or by the Central Government in this behalf".
16. Clause 102: In line 2, reference to Clause "104" be substituted with reference to Clause "101".
17. Clause 104: Heading "Which Directors" be substituted with "Provision in case of non-election of retiring Directors".
18. Clause 107: Heading "Rights of Persons" be substituted with "Notice of candidature for office of Director".
19. Clause 139(2): In line 4, reference to Clause "123" be substituted with reference to Clause "120".

20. Clause 153 (1): In last line, the name "Sunline Technologies Limited" be substituted with "Zenotech Laboratories Limited".

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or expedient to give effect to this Resolution."

By order of the Board
For Zenotech Laboratories Limited

Place : New Delhi
Date : December 1, 2012

B. K. Raizada
Managing Director

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxy form duly completed and signed should be deposited at the Registered Office of the company not later than 48 hours before the commencement of the meeting.**
2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. The Register of members and Transfer Books of the Company will be closed from December 22, 2012 to December 28, 2012 (both days inclusive).
4. The members are requested to -
 - a. Intimate to the Registrars and Transfer Agents of the Company / respective Depository Participants of changes, if any, in their registered addresses at an early date.
 - b. Quote Ledger Folio/Client ID in all the correspondence.
 - c. Bring the copy of the Annual Report and attendance slip with them to the Annual General Meeting.
5. Shareholders holding shares in physical form are requested to advise any change of address immediately to Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited (Unit: Zenotech Laboratories Limited), Plot No. 17 to 24, Vitharao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh. For shareholders holding shares in electronic form, intimation needs to be made to their respective Depository participants and not to the Company/its Registrars.
6. Members seeking any information with regard to accounts are requested to write to the Company Secretary at the earliest.
7. Pursuant to the provisions of the Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the M/s. Karvy Computershare Private Limited, the Registrars and Transfer Agents at the aforesaid address.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Brief resume and other information in respect of Directors seeking appointment at the Annual General Meeting pursuant to Clause 49 of the Listing Agreement

Item No. 2

As per the information last available with the Company, brief resume and other information for Dr. Jayaram Chigurupati are given below:

Dr. Jayaram Chigurupati aged about 49 years is a MBA (USA) & Ph.D in Bio Chemical Genetics. He was associated with recombinant proteins and bio-generics for the past eight years. Earlier, he has had a stint as Associate Consultant with The Wilkerson Group, New York City and as Technology Transfer Consultant at the Center of Advanced Technology Cornell University, Ithaca, New York.

He was also a founder and Vice President of Viral Therapeutics, Inc, New York, where his responsibilities included development and marketing of recombinant proteins for therapeutic and diagnostic use.

He was also the Executive Vice President of Emerging Businesses (Biotechnology, Oncology and Diagnostics) and International Branded Formulations Marketing at Dr Reddy's (RDY). He was also the Managing Director of Zenovus Biotech (a wholly owned subsidiary of Dr. Reddy's).

In terms of the declaration made by Dr. Jayaram Chigurupati, as on November 12, 2012 he holds 48,01,858 shares in the Company and is a Director of the following other companies/Bodies Corporate:

1. Techtran Polylenes Limited
2. Hemarus Therapeutics Limited
3. Cypress Capital Group, USA
4. Coastal Local Area Bank Limited
5. Credence Infrastructure Limited

He is not related to any of the Directors of the Company.

Item No.3

Dr. Sudershan K. Arora, currently working as President -R&D, Ranbaxy Laboratories Limited, has over 30 years of extensive experience in Drug Discovery, pre-clinical and clinical development and in leading research programs for design, synthesis and pre-clinical development of NCEs/natural products. He obtained a PhD, in Synthetic Organic Chemistry from Kurukshetra and a D.Sc from Bundelkhand University.

Dr. Arora has worked with many leading Indian and global pharmaceuticals companies including Greenwich Pharmaceuticals Inc., USA, Medicarb Inc., USA, Lupin and Sandoz, Austria.

Dr. Arora has been a prominent speaker at various national and international scientific forums. He is also on the governing bodies of numerous academic institutions in India, besides being an eminent speaker in various forums. He has 30 US patents/PCT applications to his credits and his articles are regularly published in reputed ACS and Indian Journals. Dr. Arora has been bestowed with awards by various institutes.

Dr. Arora does not hold any share in the Company. He does not hold directorship in any other company His nature of expertise is in Pharmaceutical Research.

He is not related to any of the Directors of the Company.

Item Nos. 5 & 6:

Mr.B.K.Raizada had been appointed as the Managing Director of the Company effective from March 19, 2011 for a period of two years on a remuneration of Rs.15.00 lacs per annum subject to requisite approvals. The same was unanimously approved by the shareholders in their Extraordinary General Meeting of the Company held on July 21, 2011 subject to the approval of Central Government. Ministry of Corporate Affairs subsequently had granted its approval for payment of remuneration to Mr. Raizada subject to the condition that the Company makes payment of its outstanding dues towards the loan assistance granted by Technology Development Board (TDB). The Company while citing the arbitration proceedings pending with TDB requested MCA to modify the above date. The Company is awaiting the approval from the Ministry in this regard. Dr. Jayaram Chigurupati has also filed a case before Hon'ble High Court of Andhra Pradesh and the matter is currently sub-judice.

It is, now proposed to reappoint Mr. Raizada as Managing Director of the Company for a period of two years effective from October 1, 2012 subject to the terms and conditions as set out in the aforesaid resolutions. The Remuneration cum Compensation Committee in its meeting held on November 14, 2012 had approved the payment of remuneration to Mr. Raizada, commensurate with his qualifications and experience.

The revised scale of remuneration to Mr. Raizada as proposed above, is as per ceilings as set out in Part II, Section II of the Schedule XIII to the Companies Act, 1956 read with the General Circular No. 46/2011 and Notification both dated 14.07.2011 issued by the Ministry of Corporate Affairs, New Delhi.

Mr. Raizada satisfies the requirements above notification/circular and thus payment of remuneration as per above revised scale does not require approval of the Central Government. However, in view of the default in repayment to financial institutions still existing as on March 31, 2012; in terms of provisions of para C of Section II of part II of Schedule XIII to the Companies Act, 1956, approval of the Central Government would be required for payment of the said remuneration to Mr. Raizada.

Mr. B.K. Raizada is a Director of the following other companies:

1. Instapower Limited
2. Pinewood Diagnostics Limited
3. PI Industries Limited and
4. Amira Natural foods Limited

He is a member of following Committees of PI Industries Limited:

1. Audit Committee;
2. Management Committee ;
3. Administration Committee and
4. Remuneration Committee

He is also the Chairman of the Audit and Compensation Committee of Amira Natural Foods Limited.

He is also a member of Audit Committee of the Company.

Mr. Raizada does not hold any share in the Company. He is not related to any of the Directors of the Company.

The Board of Directors considers that in view of the background and experience of Mr. Raizada as detailed below, it would be in the interest of the Company to re-appoint him as a Managing Director of the Company.

The Board recommends the Resolution for approval of the shareholders.

Mr. Raizada is interested or concerned in the proposed Resolution. None of the other Directors are interested or concerned in the proposed Resolution.

The Notice read with Explanatory Statement should be considered as an abstract of the terms of appointment and payment of remuneration to Mr. Raizada as Managing Director and a memorandum as to nature of the concern or interest of the Director as required under Section 302 of the Companies Act, 1956.

The other particulars as required under provisions of para C of Section II of part II of Schedule XIII to the Companies Act, 1956 are, as follows:

In view of the non-availability of the various records and other information as more fully explained in Note 2.27 read with Note Nos. 2.28 to 2.30 forming part of the financial statements for the year ended March 31, 2012 (herein after collectively referred to as "notes" and individually with the relevant note number), the information provided hereunder is having its own limitations.

General Information

1. Nature of industry and Date or expected date of commencement of commercial production

Zenotech Laboratories Limited (herein after referred to as "Zenotech/the Company"), bearing CIN L72200AP1998PLC029831 having its Registered Office cum Corporate Office situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R.R. Dist - 500078, Andhra Pradesh, is a public limited company listed on the Bombay Stock Exchange Limited (BSE). It was incorporated on June 15, 1989 as a private limited company by the name of Maa Shakti Tube Mill Private Limited. On April 1, 1992, its name was changed to Sunline Tubes Private Limited, and on August 25, 1993, it was converted into a public limited company. The Company was, at this stage engaged in carrying out the activities of engineering project execution including heavy machinery erection and commissioning for process industries. The Company came out with Public Issue during May 1996 to implement the project of manufacturing of lancing Tubes and ERW tubes.

The Company has changed its Objects Clause on February 10, 2000 to carry on the business of software, hardware and information technology, as the previous operations of the Company were not encouraging and thus carried out business relating to Software Development activities and focus was on B2B and B2C, E-Commerce, Web/Portal Development activities and on December 6, 2000, its name was changed to Sunline Technologies Limited.

Subsequently, as the Information technology business is facing stiff competition around the world, the then promoters with an intention to diversify into potential business like Biotechnology, Pharmaceuticals etc., amended the objects and entered into a scheme of amalgamation with Zenotech Laboratories Private Limited. The Hon'ble High Court of Andhra Pradesh, Hyderabad sanctioned the scheme of amalgamation by its order dated July 1, 2004, effective from November 1, 2003. Under this scheme of amalgamation, Zenotech's name was changed to its present form, Zenotech Laboratories Limited effective from August 10, 2004.

Further, Zenotech entered into a second scheme of amalgamation with M/s Credence Pharmaceuticals Limited and M/s Hemarus Healthcare Private Limited in the year 2005. The Hon'ble High Court of Andhra Pradesh, Hyderabad sanctioned the scheme of amalgamation by its order dated May 2, 2006, with effect from October 1, 2005.

The Company commenced pharmaceutical operations in 2003-04 and has since become a specialty generic injectables company with expertise in the area of bio-technology. The Company's injectables product portfolio

primarily serves niche therapy areas like oncology and anesthesiology. It has R&D facilities and manufacturing facilities located in Hyderabad.

Presently the Company is a specialty Biosimilars and generic injectables company with expertise in the area of Recombinant bio-technology.

2. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable.

3. Financial performance based on given indicators

The Financial performance of the Company (Based on Stand-alone financial statements) on given indicators in last three years is as under:

(Amount in Rs. Lakhs)

Financial Parameters	Year ended March 31, 2010	Year ended March 31, 2011*	Year ended March 31, 2012*
Sales	656.51	700.14	218.42 **
Profit/(Loss) Before exceptional items	(1,247.49)	(1,482.78)	(868.84)
Net Profit/(Net Loss)	(1,247.49)	(3,783.81)	(1,026.19)
Dividend %	Nil	Nil	Nil

* the financial statements for these years are prepared on Reconstructed books of accounts basis as more fully explained in the relevant notes to accounts forming part of the financial statements.

** including Rs. 44.29 lakhs towards price equalization on sales.

4. Export performance and net foreign exchange collaborations

(Amount in Rs. Lakhs)

Financial Parameters	Year ended March 31, 2010	Year ended March 31, 2011*	Year ended March 31, 2012*
F.O.B value of exports	7.98	8.38	-
Royalty/technical consultancy fees	-	-	-
Dividend	-	-	-
Others	-	-	-

* the financial statements for these years are prepared on Reconstructed basis as more fully explained in the relevant notes to accounts forming part of the financial statements.

5. Foreign investments or collaborators, if any.

As per the audited financials of 2009-10 and previous years, the Company has the following overseas subsidiaries:

- Zenotech Farmaceutica Do Brasil Ltda, Brazil
- Zenotech Laboratories Nigeria Ltd, Nigeria
- Zenotech Inc., USA

For the reasons and details as explained in Note 2.27

- It is believed that the above entities are either delinquent or do not exist anymore;
- No audited statements of the subsidiaries are available for the financial periods from 2008-2012;
- the Management had on a prudent basis, written down the investments in its subsidiaries and loans and advances to these subsidiaries in the year 2010-11, in addition to the write down of the investments in Brazil and Nigeria in the year 2008-09;
- Consequent various requests made by the current Management, the Company could get some limited information on copies of SWIFT transmissions from respective bankers/authorised dealers;
- The Management has evaluated the extent of the missing information and the regulatory non compliances etc., relating to the above subsidiaries and subsequent to year end issued a legal notice to Dr. Jayaram

Chigurupati, co-Managing Director to immediately release all the details pertaining these subsidiaries and documents / certificates related to forex transactions with these subsidiaries including certain loans and investment made in the same as well as asked him to take all required steps to finish audit of Subsidiaries and submit the financial statements to the Company;

- f. An appropriate reminder to this effect was also included in the letter dated October 3, 2012 informing the Co- Managing Director of having vacated his office as Managing Director of the Company but so far no response has been received and
- g. Provision has not been made for potential financial consequences arising out of such ongoing evaluations, the outcome of which will depend on the nature and extent of non compliances which is currently not determinable.

Information about the appointee

1. Background details and past Remuneration

Mr. Raizada aged about 68 years is a graduate in Commerce and is a Fellow Member of the Institute of Chartered Accountants in England and Wales and also of Institute of Chartered Accountants of India.

Mr.B.K.Raizada had been appointed as Managing Director of the Company effective from March 19, 2011 for a period of two years on a remuneration of Rs.15.00 lacs per annum subject to requisite approvals. Pursuant to the applicable provisions under the Companies Act, 1956 read with Schedule XIII thereto, the same was unanimously approved by the shareholders in their Extraordinary General Meeting of the Company held on July 21, 2011 subject to the approval of Central Government.

As already stated, the Company is awaiting the approval of the Central Government in this regard.

2. Recognition or awards

Mr. Raizada was nominated by Government as member of the Committee on R & D for Pharmaceutical Industry (called the Mashelkar Committee) and the Group on Patent Laws (which helped write the new law adopted in 2002) as well the 'Industry group on new Pharmaceutical Policy' in 2001-02. He had been providing advisory services to pharmaceuticals companies on strategic issues.

He has been active in Professional and Social organizations and was country Representative for the Institute of Chartered Accountant in England and Wales for 10 years. Presently, Mr. Raizada is the member of the Board of Governors of the Institute of Internal Auditors, Delhi Chapter; Treasurer of the Association of UK Chartered Accountants in India and was past President of both organizations.

3. Job profile and his suitability

In a career spanning over 44 years, Mr. Raizada has held senior managerial positions in many companies in India and abroad. He worked for 30 years with Ranbaxy Laboratories Limited, one of India's largest pharmaceutical Company, in various capacities including heading the finance function, strategic planning, logistics and new business development. From 1997 till his retirement in 2003 was responsible for Ranbaxy's worldwide non-human health business.

His nature of expertise is in Pharmaceutical Business Strategy, Financial Management & Industry relations.

4. Remuneration proposed

Remuneration as detailed in the resolution No. 6 is proposed to be paid subject to requisite approvals.

5. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

In view of ongoing disputes before various legal forums as well as missing of information and data as explained above and in notes; the fundamental task before the Management, when the premises were handed over to them by CLB was to stabilize and to bring normalcy into the operations as well as to take appropriate steps to recover various assets/information/data that was missing. Further, the Company is yet to leverage on account its product strength commensurate with the size of market potential.

The present Management under the leadership of Mr. Raizada, is working towards this direction and with continuous repair, renovation and validation of various equipments and facilities of the Company; the Plant is now geared to start Production by end of December, 2012.

The remuneration proposed to be paid to Mr. Raizada is in line with remuneration of Managing Directors of other pharmaceutical companies; keeping in view his job profile and complexity of operations and business of the Company.